

Mr. Craig G. DeKany, CPA
Reimbursement Manager
HCR –Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-MCC-J8 - Manor Care of Columbia

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Craig G. DeKany, CPA
Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: Draft Report – AC# 3-MCC-J8 – Manor Care of Columbia

Dear Mr. DeKany:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-MCC-J8 – Manor Care of Columbia

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

MANOR CARE OF COLUMBIA

COLUMBIA, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-MCC-J8**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 12, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Manor Care of Columbia, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Manor Care of Columbia, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Manor Care of Columbia, dated as of November 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 12, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

MANOR CARE OF COLUMBIA
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-MCC-J8

Interim reimbursement rate (1)	\$104.00
Adjusted reimbursement rate	<u>99.08</u>
Decrease in reimbursement rate	\$ <u><u>4.92</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

MANOR CARE OF COLUMBIA
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 1999
AC# 3-MCC-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.31	\$50.88	
Dietary		8.22	9.69	
Laundry/Housekeeping/Maintenance		<u>6.34</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	55.87	68.81	\$55.87
Administration & Med. Records	<u>\$ -</u>	<u>15.33</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		71.20	<u>\$80.37</u>	67.43
<u>Costs Not Subject to Standards:</u>				
Utilities		2.31		2.31
Special Services		1.14		1.14
Medical Supplies & Oxygen		10.49		10.49
Taxes and Insurance		1.58		1.58
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$86.72</u>		82.95
Inflation Factor (3.00%)				2.49
Cost of Capital				13.36
Cost of Capital Limitation				(4.44)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.07)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>2.22</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$99.08</u>

MANOR CARE OF COLUMBIA
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$2,066,014	\$ -	\$ 37,162 (7) 69,968 (8) 4,813 (8) 23,475 (9)	\$1,930,596
Dietary	394,040	-	3,722 (2) 1 (6) 6,027 (8)	384,290
Laundry	65,370	-	1,322 (8)	64,048
Housekeeping	142,882	-	4,237 (8)	138,645
Maintenance	117,317	-	21,459 (3) 996 (6) 1,368 (8)	93,494
Administration & Medical Records	715,068	5,290 (3) 7,304 (5)	58 (6) 9,671 (8) 1,492 (8)	716,441
Utilities	107,763	-	-	107,763
Special Services	53,230	21,735 (9)	21,809 (8)	53,156
Medical Supplies & Oxygen	555,688	-	7,304 (5) 22,289 (6) 689 (8) 35,171 (9)	490,235
Taxes and Insurance	80,618	-	6,792 (4)	73,826

MANOR CARE OF COLUMBIA
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1998
 AC# 3-MCC-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	392,107	181,669 (10) <u>55,843 (11)</u>	5,091 (1)	624,528
Subtotal	4,690,097	271,841	284,916	4,677,022
Ancillary	335,307	-	-	335,307
Non-Allowable	798,438	5,091 (1) 3,722 (2) 16,169 (3) 6,792 (4) 37,162 (7) 121,396 (8) <u>36,911 (9)</u>	181,669 (10) 55,843 (11)	788,169
Total Operating Expenses	<u>\$5,823,842</u>	<u>\$499,084</u>	<u>\$522,428</u>	<u>\$5,800,498</u>
Total Patient Days	<u>46,735</u>	<u>-</u>	<u>-</u>	<u>46,735</u>
Total Beds	<u>132</u>			

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 722,627	
	Other Equity	29,521	
	Nonallowable	5,091	
	Accumulated Depreciation		\$ 752,148
	Cost of Capital		5,091
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	3,722	
	Dietary		3,722
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
3	Administration	5,290	
	Nonallowable	16,169	
	Maintenance		21,459
	To remove cost not related to patient care, reclassify expense to the proper cost center and disallow expense due to lack of documentation HIM-15-1, Sections 2106.1 and 2304 DH&HS Expense Crosswalk		
4	Nonallowable	6,792	
	Taxes and Insurance		6,792
	To adjust property tax expense HIM-15-1, Sections 2302.1 and 2304		
5	Medical Records	7,304	
	Medical Supplies		7,304
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Retained Earnings	23,344	
	Dietary		1
	Maintenance		996
	Medical Records		58
	Medical Supplies		22,289
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nonallowable	37,162	
	Nursing		37,162
	To remove cost not related to patient care HIM-15-1, Section 2102.3		
8	Nonallowable	121,396	
	Nursing		69,968
	Restorative		4,813
	Dietary		6,027
	Laundry		1,322
	Housekeeping		4,237
	Maintenance		1,368
	Administration		9,671
	Medical Records		1,492
	Medical Supplies		689
	Special Services		21,809
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Special Services	21,735	
	Nonallowable	36,911	
	Nursing		23,475
	Medical Supplies		35,171
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

MANOR CARE OF COLUMBIA
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	181,669	181,669
	To adjust capital return State Plan, Attachment 4.19D		
11	Cost of Capital Nonallowable	55,843	55,843
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,274,576</u>	<u>\$1,274,576</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MANOR CARE OF COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>118</u>	<u>14</u>	
Deemed Asset Value	4,145,340	491,820	
Improvements Since 1981	3,544,417	7,241	
Accumulated Depreciation at 9/30/98	<u>(2,661,696)</u>	<u>(33,985)</u>	
Deemed Depreciated Value	5,028,061	465,076	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	316,768	29,300	
Return Applicable To Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	316,768	29,300	
Depreciation Expense	256,303	21,214	
Amortization Expense	714	229	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	573,785	50,743	\$624,528
Total Patient Days (Minimum 97% Occupancy)	<u>41,778</u>	<u>4,957</u>	<u>46,735</u>
Cost of Capital Per Diem	\$ <u><u>13.73</u></u>	\$ <u><u>10.24</u></u>	\$ <u><u>13.36</u></u>

MANOR CARE OF COLUMBIA
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-MCC-J8

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.77	N/A
Adjustment for Maximum Increase	<u>\$3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$8.76</u>	<u>\$10.24</u>
Reimbursable Cost of Capital Per Diem	\$ 8.92	
Cost of Capital Per Diem	<u>13.36</u>	
Cost of Capital Per Diem Limitation	<u>\$(4.44)</u>	